

Memorandum

Date: September 14, 2001
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From: California Energy Commission - Kristy Chew, Siting Project Manager
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Subject: COLUSA POWER PLANT PROJECT (01-AFC-10) – ISSUES
IDENTIFICATION REPORT

Attached is the staff's Issues Identification Report. This report serves as a preliminary scoping document as it identifies the issues the Energy Commission staff believes will require careful attention and consideration. However, this report may not include all the significant issues that may arise during the case, as discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. Energy Commission staff will be prepared to present the Issues Report at the Information Hearing on September 24, 2001.

Part of this report deals with scheduling issues. The Energy Commission is reviewing the Colusa Power Plant pursuant to the expedited six-month Application for Certification (AFC) process set forth by Public Resources Code section 25550.

Attachment

cc: Proof of Service List
Docket

KC:kc

ISSUES IDENTIFICATION REPORT
COLUSA POWER PLANT PROJECT
(01-AFC-10)

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PURPOSE OF THE REPORT

This report has been prepared by the California Energy Commission staff to inform the Committee and all interested parties of the potential issues that have been identified in the case thus far. Issues are identified as a result of discussions with federal, state, and local agencies, and our review of the Colusa Power Plant (CPP) Application for Certification (AFC), Docket Number 01-AFC-10. This Issues Identification Report contains a project description, summary of potentially significant environmental issues, public comments received, and a discussion of the proposed project schedule. The staff will address the status of potential issues and progress towards their resolution in periodic status reports to the Committee.

PROJECT DESCRIPTION

On July 6, 2001 Reliant Energy filed an Application for Certification (AFC) with the California Energy Commission for the construction and operation of the Colusa Power Plant (CPP), a proposed nominal 500-megawatt (MW) natural gas-fired, combined-cycle electric generating facility.

The proposed CPP would be located approximately 4 miles to the west of Interstate 5 (I-5) and 14 miles north of the City of Williams, California. The project will be located within a 200-acre parcel leased from the Holthouse Ranch. The power plant and switchyard site will occupy approximately 27 acres.

Facility Operation. The proposed CPP would consist of two combustion gas turbines that will burn natural gas and a steam turbine driven with steam generated by Heat Recovery Steam Generators. Each combustion gas turbine and the steam turbine will be connected to one of three separate electric generators. Output of the generators will be connected to step-up transformers and then to a new PG&E switchyard.

The project will use air (“dry”) cooling technology for its operation and will install a wastewater recovery system to recover all process wastewater for reuse, resulting in zero liquid discharge.

Fuel. Natural gas will be supplied to the CPP site via a new 2,500-foot-long pipeline interconnected to the PGT/PG&E gas transmission lines located east of the proposed project site. The pressure reducing/metering station will be located within the CPP facility. The pipeline tap will be located adjacent to the existing PG&E Compressor Station.

Water. The project would require approximately 300 acre-feet of water per year. The Glenn-Colusa Irrigation District, via the Tehama-Colusa Canal (water will be wheeled from the Glenn-Colusa Irrigation District to the Tehama-Colusa Canal), will provide water to the CPP. Construction of a new 2,300-foot-long water pipeline from the Tehama-Colusa Canal to the CPP site will be required.

Electricity Market. The proposed CPP would be constructed and operated as a “merchant plant” and will sell its output in the open market. As a merchant plant, the CPP will operate when and for the period of time dictated by market demands and the provisions of bilateral sales.

Other Infrastructure. The Teresa Creek Bridge (on McDermott Road, 5/8-mile north of Delevan Road) cannot currently accommodate heavy construction truck traffic and is proposed to be replaced by Reliant Energy.

Distribution. The CPP site is located adjacent to PG&E’s Cottonwood to Vaca-Dixon transmission corridor, which includes four 230 kV high voltage transmission circuits. The CPP would interconnect to these circuits. A new switchyard will be constructed adjacent to the CPP, which will be operated by PG&E. The existing 230 kV circuits will be connected into the new switchyard. Initial load flow studies indicate that no system upgrades will be required.

Schedule. The proposed project is anticipated to be operational by the second quarter of 2004.

POTENTIAL MAJOR ISSUES

This portion of the report contains a discussion of the potential issues the Energy Commission staff has identified to date. This report may not include all the significant issues that may arise during the case, as discovery is not yet complete, and other parties have not had an opportunity to identify their concerns. The identification of the potential issues contained in this report was based on our judgement of whether any of the following circumstances will occur:

- Significant impacts may result from the project which may be difficult to mitigate;
- The project as proposed may not comply with applicable laws, ordinances, regulations, or standards (LORS);
- Conflicts may arise between the parties about the appropriate findings or conditions of certification for the Commission decision that could result in a delay to the schedule.

The following table lists all the subject areas evaluated and notes those areas where the critical or significant issues have been identified and if data requests have been requested. Even though an area is identified as having no potential major issues in this report, it does not mean that an issue will not arise related to the subject area.

| Major Issue | Data Request | Subject Area |
|-------------|--------------|-------------------------------------|
| Yes | Yes | Air Quality |
| No | Yes | Alternatives |
| Yes | Yes | Biological Resources |
| No | Yes | Cultural Resources |
| No | No | Facility Design |
| No | Yes | Geology / Paleontology Resources |
| No | Yes | Hazardous Materials Management |
| Yes | Yes | Land Use |
| No | Yes | Noise |
| No | Yes | Public Health |
| No | Yes | Reliability / Efficiency |
| No | Yes | Socioeconomics |
| No | Yes | Soil & Water Resources |
| No | Yes | Traffic & Transportation |
| No | No | Transmission Line Safety & Nuisance |
| Yes | Yes | Transmission System Engineering |
| No | Yes | Visual Resources |
| No | No | Waste Management |

TECHNICAL ISSUES

Staff has begun its analyses of the project and is currently in the discovery phase, as well as its assessment of other environmental and engineering aspects of the applicant's proposal. Potential issues have been identified in Air Quality, Biological Resources, and Land Use.

AIR QUALITY ISSUES

Staff has identified three potential air quality issues:

1. Emission Reduction Credits,
2. Air Permits, and
3. Construction impacts.

EMISSION REDUCTION CREDITS

The proposed project does not currently possess any emission reduction credits (ERCs). The project will need to offset emissions of oxides of nitrogen (NO_x), volatile organic compounds (VOC), and particulate matter 10 microns in diameter or less (PM₁₀). The methods proposed by the applicant to secure emission offsets require third party agreements, which at this time are still speculative (i.e., no agreements have been formally made). The two methods being proposed to create emission reduction credits are 1.) installing electric compressors at the PG&E Delevan Compressor Station, and

2.) a reduction in field burning of rice and wheat straw (agricultural offsets). The applicant has yet to provide any documentation that PG&E will agree to their proposal.

The applicant's alternative approach to obtaining offsets is to purchase available ERCs from the Districts in the lower Sacramento Valley Air Basin. While there are banked ERCs listed in the District banks of the seven lower Sacramento Valley Air Basin air pollution control districts, many of these ERCs may not be for sale, and there are several other major power projects currently proposed (or to be proposed shortly) within the lower Sacramento Valley Air Basin (Rio Linda/Elverta Power Plant Project, Roseville, SMUD Combined Cycle, etc.) all of which will be trying to obtain ERCs from the same limited ERC market.

Therefore, staff believes that securing offsets may be very difficult in order to meet a 6-month project schedule.

AIR PERMITS

This project requires permit application review and approval (Determination of Compliance (DOC) and Prevention of Significant Deterioration (PSD)) from both the Colusa County Air Pollution Control District (District) and U.S. Environmental Protection Agency (USEPA). The District has not been delegated PSD permit review; therefore, Region IX of USEPA will review the applicant's PSD permit. While these two primary review agencies have indicated that they will work to expedite their respective analyses, the overall multi-agency review necessary (including U.S. Fish and Wildlife Section 7 consultation and Federal Land Manager air quality related values modeling review) to complete the air quality permitting could result in a longer permitting schedule for issuance of the final PSD permit than the timeframe that the Energy Commission adopts for project certification.

CONSTRUCTION IMPACTS

The initial construction impact analysis provided in the AFC indicates that there are potentially significant impacts as a result of the construction of this project. The impact analysis predicts that the construction of the project will potentially cause or worsen exceedances of the 24-hour PM₁₀ California Ambient Air Quality Standards (CAAQS) and National Ambient Air Quality Standards (NAAQS) and significantly worsen exceedances of the annual PM₁₀ CAAQS. Staff also has concerns that the fugitive particulate emissions have not been adequately estimated considering the amount of earth moving required for this project, and that some of the modeling assumptions may under predict the impacts of the other pollutants. Staff has requested that the applicant revise their emission estimates to correct both errors and omissions. Staff will then conduct a revised modeling analysis to determine reasonable worst-case pollutant impacts from construction. Staff will include the results of the revised construction impact analysis, along with a discussion of potential construction mitigation measures, if needed, in its Staff Assessment.

BIOLOGICAL RESOURCES ISSUES

Staff has identified one potential biological resources issue, timeliness of applicant submittals to appropriate wildlife agencies.

The proposed Colusa Power Plant project has the potential to affect state- and federally- listed species at the power plant site and at the Teresa Creek bridge crossing on Delevan Road. Thus, the applicant is required to submit a Biological Assessment to the USEPA who is the lead agency for the consultation with the U.S. Fish and Wildlife Service (USFWS) under Section 7 of the Federal Endangered Species Act for a Biological Opinion. On September 7, 2001, the applicant submitted a biological assessment for the CPP to the USEPA to begin Section 7 consultation with the USFWS. On September 13, 2001, USFWS staff notified Energy Commission staff that the applicant's Biological Assessment is not complete and therefore formal consultation has not been initiated.

The applicant is also required to obtain additional documentation from National Marine Fisheries Service, as required in the Magnuson-Stevens Act. The California Department of Fish and Game (CDFG) has indicated that the applicant will need a streambed alteration agreement and an incidental take permit.

The timeline for the 6-month process requires that local and state agency draft and final determinations be submitted to the Energy Commission by the 60th and 100th day after the project is deemed data adequate, respectively. Federal agencies are requested to complete their determinations within the same time periods as the local and state agencies. During prior conversations with Energy Commission staff and USFWS staff, USFWS staff has indicated that they may require more than 100 days to complete the Biological Opinion. Staff feels that it is unlikely that all agency documents and draft determinations will be completed and submitted to the Energy Commission by the time periods listed above. On several occasions, staff has made the applicant aware of the time periods associated with the 6-month process and the urgency of the submittals to other state and federal agencies so milestones can be met. Without the draft determinations from the state and federal wildlife agencies, the Initial Report will have to identify these inadequacies as unresolved issues and staff can not complete their analysis. Because of the delay in submitting the Biological Assessment, potentially, state and federal wildlife agencies may not be able to meet the 60- and 100-day time periods for draft and final determinations. Therefore state and federal agency final determinations may not be available to present to the Committee during the evidentiary hearings.

LAND USE ISSUES

Staff has identified two potential land use technical issues:

1. Conversion of Agricultural Land to Non-agricultural Use and
2. Consistency with Laws, Ordinances, Regulations, and Standards.

CONVERSION OF AGRICULTURAL LAND TO NON-AGRICULTURAL USE

The Colusa Power Project is proposed to be developed on a 200-acre parcel currently proposed to be rezoned for industrial use. The actual area of permanent disturbance for the proposed power plant and related facilities is approximately 27 acres.

The property is currently designated "Agriculture-General" (AG) by the Colusa County General Plan. The property is currently located within the County's "Exclusive Agriculture" Zone. This zone is intended to be applied to areas "of fertile soils and areas where agriculture is the natural and desirable primary land use, and in which areas in the protection of agriculture from the encroachment of incompatible uses is essential to the general welfare" (Colusa County Use Permit Ordinance, Section 4). The proposed site is outside of an urban growth boundary and is not within a Williamson Act contract.

The potential rezoning of 200 acres of land from agricultural use to industrial use for the purpose of constructing and operating a power plant represents a physical change in the environment, specifically the conversion of agricultural land.

The incremental conversion of agricultural land to nonagricultural uses threatens the long-term health of the state's agricultural industry and presents a potentially significant impact under the California Environmental Quality Act (CEQA) (CEQA Guidelines, Appendix G).

CONSISTENCY WITH LAWS, ORDINANCES, REGULATIONS, AND STANDARDS

The Colusa Power Plant project requires the following approvals from Colusa County to be consistent with land use laws, ordinances, regulations, and standards (LORS):

- approval of a General Plan Amendment on the proposed 200-acre parcel to change the existing General Plan land use designation from Agricultural General (AG) to Industrial (I);
- approval of a change of zone on the proposed 200-acre parcel from Exclusive Agriculture (EA) to Industrial (M); and an
- approval of a tentative parcel map and final parcel map to create a 200-acre parcel map and a Designated Remainder from an existing 451-acre property;

The project owner has submitted land use applications consisting of a General Plan Amendment, Change of Zone, and Tentative Parcel Map to the Colusa County Planning & Building Department for consideration. The County proposes to use the Energy Commission's Staff Assessment as the environmental document for the discretionary actions for the land use applications (as authorized by the Governor's Executive Order D-26-1 and Section 25519(c) of the Public Resources Code).

Colusa County Use Permit Ordinance requires the granting of a use permit for the construction and operation of a power plant. The County may issue the use permit for a

power plant in any zone subject to a finding of necessity for the public health, safety, convenience, or welfare (Colusa County Ordinance, Article 6, Section 6.03 C). The typical amount of time required for the County to provide comments and recommendations on projects similar to the proposed power plant is three months (Johanns, Kent, Interim Director of the Colusa County Planning and Building Department, 2001).

The Colusa County Planning Commission and the Board of Supervisors are the preliminary and final county hearing bodies on general plan amendments, change of zones, and tentative map requests, respectively. During the Colusa County Planning Commission meeting on September 10, 2001, the Planning Commission informed Energy Commission staff and the applicant that they want to review the environmental impact studies (e.g., Energy Commission staff assessment) associated with the project prior to considering the general plan amendment, rezone, and tentative map requests.

According to a letter from the Colusa County Board of Supervisors, dated June 26, 2001, about two months are required from the time the Planning Commission hears the proposed land use requests to when the Board of Supervisors would make a final decision on the requests. As shown in the following schedule, the Energy Commission staff assessment is proposed to be released on October 29, 2001 and the staff assessment addendum on December 13, 2001. It is unclear whether Colusa County can act on the applicant's various general plan and zoning requests in time for the decisions to be incorporated into the staff assessment or even available for the evidentiary hearings.

TRANSMISSION SYSTEM ENGINEERING

According to the data responses submitted by the applicant on September 13, 2001, the Final Transmission System Impact Study is projected to be available sometime between October and November 2001. If the study were received during the first half of October, then the report information would be included in the staff assessment. If the study were received later, then potentially, staff may not have sufficient time to incorporate the study information into the staff assessment.

PUBLIC COMMENTS RECEIVED

To date, no local residents have expressed their concerns about the Colusa Power Plant project to Energy Commission staff. However, on September 10, 2001, during the Colusa County Planning Commission meeting, Energy Commission staff learned that adjacent landowners have concerns regarding the environmental review of this project. It appears that they will be involved in the siting process, at a minimum, at the local decision-making level.

SCHEDULING ISSUES

In summary, there are a number of potential scheduling issues that must be resolved in order for the CPP project to meet the 6-month licensing process schedule. The Colusa

County Air Pollution Control District has tentatively agreed to provide a Preliminary Determination of Compliance (PDOC) by October 5, 2001, as shown in the following proposed schedule. However, given that the emission reduction offsets have not yet been secured by the applicant, it may not be possible for the District to complete the PDOC before the staff assessment is due.

Because the applicant's Biological Assessment was deemed incomplete by USFWS, formal consultation between USEPA and USFWS has not begun. Therefore, it may not be possible for the USFWS to provide a preliminary or final Biological Opinion in the time periods required for staff to complete their analysis or before hearings are scheduled to begin.

On June 26, 2001, the Colusa County Board of Supervisor's submitted a letter to the Energy Commission outlining an approximate schedule for processing the applicant's request for a General Plan amendment and an amendment to the Zoning Ordinance. The schedule provided adequate time for the local land use approvals to be completed prior to the start of evidentiary hearings. However, due to the potential delays with the various local hearing bodies, the decisions may not be completed in time to be incorporated into the staff assessment or for the evidentiary hearings.

Due to the Final Transmission System Impact Study not being available until October or November, Energy Commission staff may, potentially, not be able to incorporate the results of the study into the staff assessment.

Energy Commission staff is working with the applicant and agencies to resolve these issues and to minimize delays. However, if these issues cannot be resolved in a timely manner, then Energy Commission staff may in the future recommend the project be transferred from a 6-month licensing process to a 12-month licensing process.

Following is staff's proposed schedule for key events of the project. The ability of staff to be expeditious in meeting this schedule will depend on the applicant's timely response to: staff's data requests, obtaining land use approvals, obtaining emission reduction credits, and other factors not yet discovered.

ENERGY COMMISSION STAFF'S PROPOSED SCHEDULE

| | Activity | Day | Calendar Day |
|----|---|------------|--|
| 1 | Applicant filed Application for Certification (AFC) | -45 | July 6, 2001 |
| 2 | Executive Director's recommendation on data adequacy | -15 | July 27/August 10, 2001 |
| 3 | Decision on data adequacy at business meeting | 0 | August 15, 2001 |
| 4 | Staff filed data requests | 8 | August 22, 2001 |
| 5 | Applicant submits Biological Assessment to USEPA (USFWS) | 23 | September 7, 2001 |
| 6 | Applicant provides data responses | 28 | September 12, 2001 |
| 7 | Staff files Issue Identification Report | 30 | September 14, 2001 |
| 8 | Information hearing, site visit | 40 | September 24, 2001 |
| 9 | Data response and issue resolution workshop | 42 | September 26, 2001 |
| 10 | Preliminary Determination of Compliance from Colusa County Air Pollution Control District | 51 | October 5, 2001 |
| 11 | Local, state, and federal agency draft determinations (e.g., draft bio opinion) | 58 | October 12, 2001 |
| 12 | Initial Report (Staff Assessment) filed | 75 | October 29, 2001 |
| 13 | Staff Assessment workshop | 85 | November 8, 2001 |
| 14 | Local, state, and federal agency final determinations (e.g., FDOC, bio opinion) | 98 | November 21, 2001 |
| 15 | Staff Assessment Addendum | 120 | December 13, 2001 |
| 16 | Status Conference | 126 or 127 | December 19 th or 20 th , 2001 |
| 17 | Evidentiary hearings | 135 | December 28, 2001 |